TARGETS

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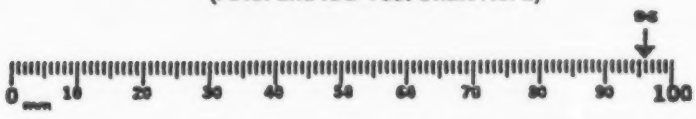
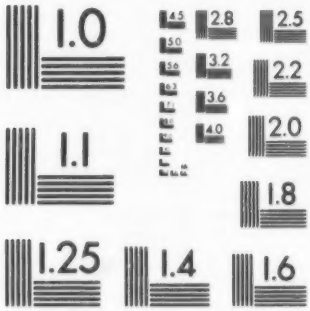


PM-1 3½"x4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT



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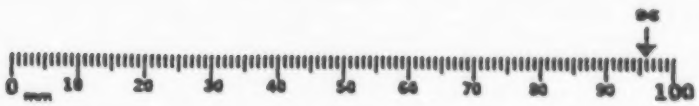

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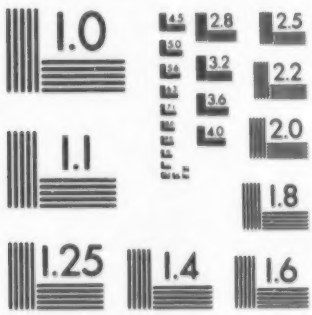

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ANNUAL REPORT

nineteen seventy·six

Directors

Hon. N. E. Byers — Chairman
Hon. E. B. Shillington — Regina
W. E. Clarke — Regina
J. D. Nieman — Engelfeld
Mrs. F. Peterson — Biggar
F. Senft — Lipton
A. A. Voegeli — Regina
J. J. West — Foam Lake

F. Senft

Hon. E.B.Shillington

J. D. Nieman

Hon. N. E. Byers

A. A. Voegeli

W. E. Clarke

Mrs. F. Peterson

J. J. West

J. A. Funk

E. A. McKillop

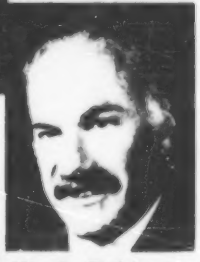
S. F. Lee

T. A. Howe

G.D.McCormick

P. Van Vliet

F. A. Degenstein


W. G. Robinson

A. G. Thomas

R. G. Allen

H. E. Freberg

N. F. Stepan

Officers

G. D. McCormick — General Manager
A. G. Thomas — Director of Operations and Assistant General Manager
S. F. Lee — Director of Engineering and Planning
F. A. Degenstein — General Commercial Manager
H. E. Freberg — General Plant Manager
E. A. McKillop — General Traffic Manager
General Personnel and Public Relations Manager
P. Van Vliet — Chief Engineer
R. G. Allen — General Planning Manager
J. A. Funk — Business Information Systems Manager
T. A. Howe — General Counsel
W. G. Robinson — Superintendent of Rural Telephones
N. F. Stepan — Comptroller

101-03324/

Regina, Saskatchewan.
February 16, 1977

To His Honour,
The Honourable George Porteous, M.B.E., C.M.,
Lieutenant Governor of the
Province of Saskatchewan.

Dear Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1976 including the financial statement therefore, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

Irene B. Byers

Minister of Telephones and
Chairman Saskatchewan
Telecommunications

Highlights

- The number of SASK TEL phones in service reached a new high of 451, 685.
- A record total of 46.9 million long distance messages originated in Saskatchewan.
- Construction expenditures were the highest in the Corporation's history at $87.2 million.
- Plans to build a new head office complex in Regina were announced.
- SASK TEL's Direct Distance Dialing program was completed.
- Plans for a $100 million Rural Service Improvement Program were unveiled.
- The value of Telecommunications property increased by $76.1 million to $471 million.
- Operating revenues were $115.6 million, up 25.5%; operating expenses $83.3 million, up 23.8%.
- Net income amounted to $19.1 million.
- $9.5 million was appropriated as a dividend to the Province of Saskatchewan.

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Saskatchewan Telecommunications

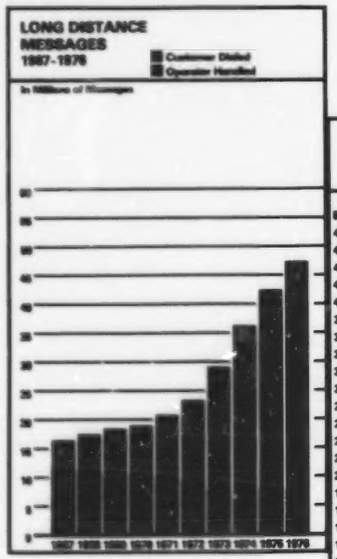
ANNUAL REPORT

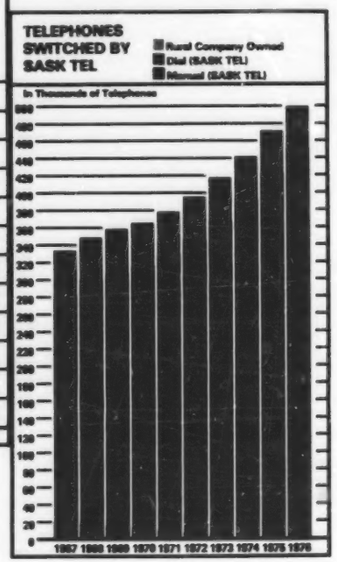
nineteen seventy-six

Introduction

The year 1976 will be viewed as one of significant expansion for SASK TEL. High rates of growth in virtually all areas required that a record $87.2 million be spent on capital construction projects to meet the service requirements of the people of Saskatchewan.

G. D. McCormick
General Manager




TELEPHONES SWITCHED BY SASK TEL
Rural Company Owned
Dial (SASK TEL)
Manual (SASK TEL)
In Thousands of Telephones
1967 1968 1969 1970 1971 1972 1973 1974 1975 1976

Long Distance Service Growth

In 1976 Canada celebrated the 100th anniversary of the first long distance telephone call, one of the communications breakthroughs which forever changed the world. Saskatchewan had its first long distance experiment in 1884 and its residents have been increasing their use of this service ever since. Significantly, June was the first month in which the Corporation handled over four million calls, twice as many as we were handling three years ago.

For the year ended December 31, 1976, 46.9 million long distance calls originated in the province, an increase of 4.6 million over last year or 10.9%. Of this number 38.7 million or 82.5% were placed between communities within the province.

Of the total long distance calls 39.4 million or 84% were customer dialed, the highest percentage of customer dialed calls of any telephone company in Canada. This resulted in considerable savings to the users.

To assist in meeting the increased demands for long distance service SASK TEL continued to provide the additional facilities required using microwave radio and buried cable.

A milestone was reached during the year when SASK TEL replaced its last section of long distance aerial pole line with buried cable. This 12 mile section connected Star City to the Melfort Toll Centre.

Even though maintenance problems due to weather disturbances have been dramatically reduced as a result of buried cable programs, the provision of long distance service is not without its difficulties. Such an instance occurred in early June when gale force winds swept Saskatchewan and cut a swath of destruction through a large area of the province.

The most severe damage occurred at Grenfell where a 310 foot microwave radio tower was destroyed disrupting long distance, television and mobile radio service in a large area around that community. Showing a spirit of service for which the industry is noted, our employees worked long hours under adverse conditions to provide alternate service within a matter of hours.

●1 On August 10, 1876 Alexander Graham Bell received the world's first one way long distance telephone call at Paris, Ontario.

●3 Aftermath of an early June windstorm. A section of the twisted remains of the 310 foot Grenfell microwave radio tower is seen in the foreground. Fortunately the TD2 Tower survived the gale force winds.

●2 The conversion to a new computerized billing system was completed at the end of June. The two year program was done on a district-by-district basis and consolidated all charges onto one form.

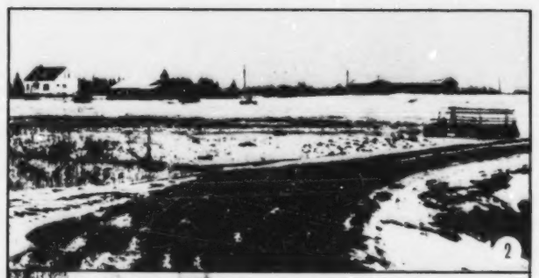
Local Service

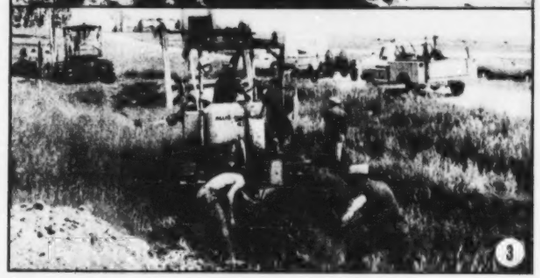
The number of telephones in service at the end of 1976 was just a few hundred short of the half million mark at 499,447. This figure includes 451,685 telephones owned by the Corporation with the remainder belonging to rural telephone companies.

In order to attain the healthy net gain of 29,893 telephones over the previous year, 140,998 phones were installed and 111,105 disconnected. The percentage gain of 7.1% is well above the ten-year average and to a degree reflects a steady growth in the construction industry in our province and the record 1976 harvest.

Over the years the number of rural telephone companies has been declining in the face of increased maintenance costs and new technology. This trend will accelerate greatly over the next few years as the Rural Service Improvement Program gets under way.

During 1976 the number of rural telephone companies operating in the province dropped to 704 and the number of rural telephones to 47,762.





1 Buried telecommunications facilities eliminate problems caused by adverse weather conditions.

2 The Voluntary Rural Service Improvement Program will provide telephone service to many isolated farms now without service.

3 Under the Rural Service Improvement Program some 24,000 miles of buried wire and 9,600 miles of buried cable will be installed.

4 Cable is buried about 30 inches deep to prevent accidental cutting by farm implements.

5 A post, carrying a buried cable terminal, is set in place.

6 Two employees discuss the plans for a sub-district work centre in Fort Qu'Appelle.

7 Provided the weatherman cooperates, a cable crew can plough up to seven miles a day.

Rural Service

Recognizing that problems were being encountered by most rural telephone companies in the areas of financing new construction, retaining competent maintenance personnel and in keeping up with ever changing communications technology, SASK TEL unveiled a $100 million program aimed at improving telephone service to the province's rural population.

Announced by Board Chairman Hon. Neil E. Byers in November, the Rural Service Improvement Program is expected to be completed in seven years.

Under the program SASK TEL offers to assume the full responsibility of providing telephone service to subscribers of rural telephone companies that vote to transfer their facilities to the Corporation.

A number of important benefits for rural subscribers are available under the plan and include such things as reducing the number of subscribers per circuit to a maximum of four, replacing existing overhead lines with more reliable buried cable service, and providing regular maintenance of facilities by qualified SASK TEL personnel. An additional benefit of the program will be the provision of telephone service to residents of areas now without service.

While SASK TEL would like to complete the assimilation program as soon as possible, it is evident that a program of this magnitude will require careful scheduling and several years to complete. Recognizing however, that certain rural companies are unable to provide adequate maintenance, SASK TEL will agree to assimilation on an "as is" basis with the present level of service being maintained until reconstruction can be scheduled.

SASK TEL has offered to employ rural company maintenance staff who meet the Corporation's hiring criteria.

It is estimated that the program will involve the installation of 24,000 miles of buried wire and 9,600 miles of buried cable.

Unserved Area Program Completed

One of the Corporation's long term projects came to an end in 1976. The Unserved Area Program, as it was called, began in 1966 after a study revealed that over 6,000 farms, beyond the serving areas of rural telephone companies, were without telephone service.

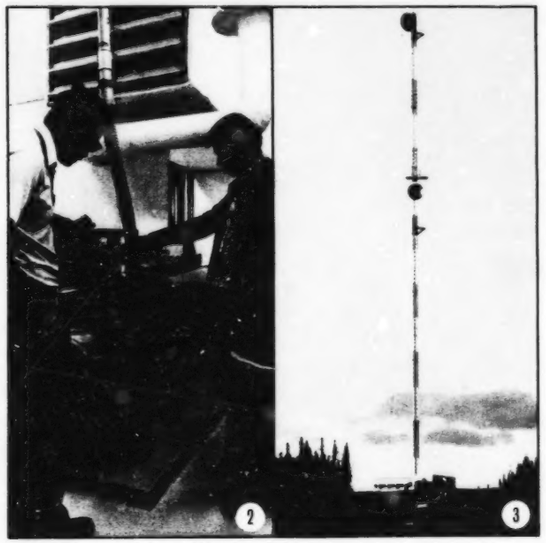
Scattered throughout the province in 100 identified pockets, residents of these areas were provided with telephone service at a cost of $400. Although this may appear expensive, it is a bargain when one considers that the average cost to provide telephone service to these farms exceeded $2,000.

Cost of the ten year program was over $15 million.

Communication to the North

SASK TEL continued a program of service improvement and expansion in the province's north. A new switching machine in Uranium City together with dial offices at Black Lake, Stanley Mission and Stony Rapids were put into service during the year. Black Lake and Stony Rapids have both local and long distance service. Long distance service to Stanley Mission, which was delayed by radio tower delivery problems, is expected to be available in the spring.

CBC radio and television were made available for the first time in Beauval, Buffalo Narrows, La Loche, and Ile-a-la-Crosse as a result of a co-ordinated effort by SASK TEL and the CBC through its "Accelerated Coverage Plan", a Canada-wide project to bring radio and television service to unserved areas.



1 All electronic switching systems undergo many months of testing before they are put into service.

2 A standby diesel generator automatically cuts into service should commercial power fail.

3 In the province's north, towers such as these are found along microwave radio routes at 30 mile intervals.

4 The long distance connection for HF radio is accomplished through Prince Albert where radio calls are connected to the telephone network.

5 CATV hardware ownership conditions imposed by the CRTC were not acceptable to SASK TEL. At year end the issue had not been resolved.

6, 7 Uranium City's electronic switching system, like others, was required to handle increased customer demands for local and long distance service.

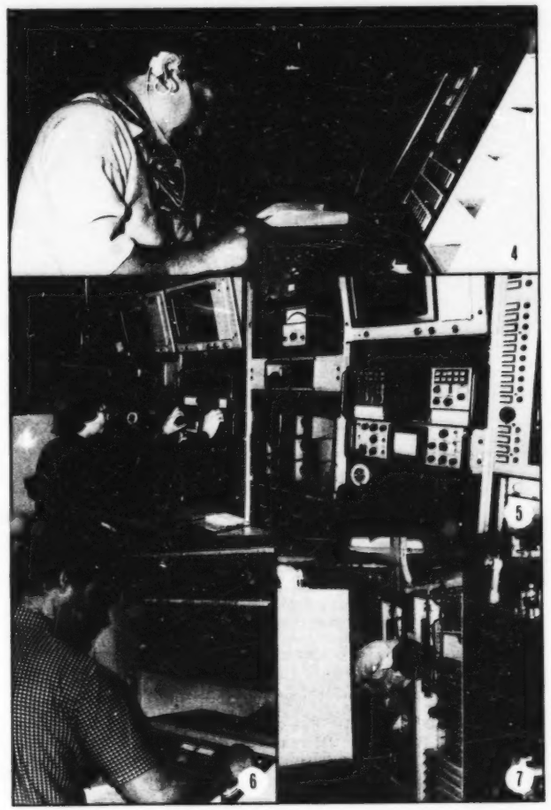
Cable Television

At Canadian Radio-Television and Telecommunications Commission hearings in Regina in February, SASK TEL, backed by the Provincial Government, made two proposals to the commission. Under the first proposal, SASK TEL would own all the hardware in the cable distribution system, as is the case with all other telecommunications services it provides, and the licencee, named by the CRTC, would provide input to the delivery system and would control programming and content. Under the second proposal, SASK TEL made application for a direct delivery alternative.

The commission rejected both proposals, stating that the cable operator should own at least some key parts of the cable hardware.

The hardware ownership conditions imposed by the CRTC were not acceptable to SASK TEL. The Corporation views it as an erosion of its role, as a public utility and common carrier, which is to deliver telecommunication signals in Saskatchewan.

At year end the issue had not been resolved.



Electronic Switching

Continuing high growth rates both in the volume of long distance calling and the number of telephones in service necessitated the installation of many new switching systems to meet customer demands.

At the end of 1975 SASK TEL had three electronic switching systems in service; by the end of 1976 the total had risen to six.

A new switch in Moose Jaw, capable of handling both local and long distance calls, went into operation on July 29, 1976. The machine is located in a new exchange building completed earlier in the year. The building also includes a large garage and service centre. Total cost of the building and equipment was $4.6 million.

The following month Regina's second computer controlled call switching system was put into service. This particular machine handles long distance calls only and was required to increase the capability and efficiency of the Regional Switching Centre in Regina. The Regina centre provides the routing for calls in and out of the western region consisting of the four provinces of British Columbia, Alberta, Manitoba and Saskatchewan. There is only one other Regional Switching Centre in Canada and it is located in Montreal.

Saskatoon's electronic switching system, the first in the province, installed in September 1974, had an extension added in the latter part of the year which provided Centrex service to several federal government offices.

Uranium City was the site of yet another electronic switch installation put into service on September 29, 1976.

At year end, work was under way on the installation of an electronic switch at Yorkton following the completion of an extension to the main exchange building there.

Yorkton's machine will be in service next year along with additional electronic switches in Saskatoon and Regina.

Building Additions and Renovations

The building space required to house new equipment together with additional office and warehousing space to meet increasing service demands was one of the reasons why construction expenditures reached a record high in 1976.

At Saskatoon, an $800,000 project, which will add a fifth floor to SASK TEL's main exchange building, is well underway. At year end, work had also begun on a two million dollar addition to the Corporation's 1825 Lorne Street building in Regina. This construction project will see two storeys added to the present five.

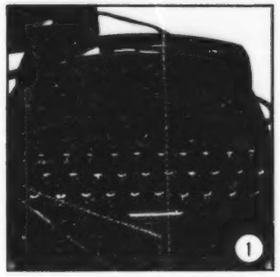
As well as additions, several new buildings were either started or announced in 1976.

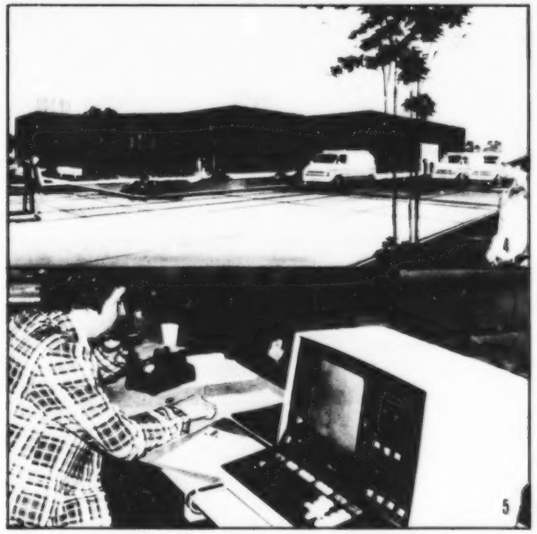
In October SASK TEL announced it would start construction of a new head office building in 1977. The start date will depend on when the land required for the project can be assembled. To be located in Regina's downtown core, the building will provide much needed space and will replace the existing head office. The new office complex is being designed in such a way as to act as a catalyst for redevelopment of Regina's downtown area. The ground floor of the new building will be leased for use by retail and commercial shops. At present it is estimated that the new building will cost in excess of $40 million.

Other building projects in Regina consisted of warehouse expansions and the start of a $700,000 Customer Service and Dispatch Centre in Glencairn sub-division. The centre is one of six to be built by the end of 1977 in order to re-locate work forces and provide better service in the larger centres.

1976 also saw the completion of an addition to Regina's Pasqua Street Switching Centre. The $350,000 project will house electronic switching equipment necessary to handle increased calling demands.

In Yorkton the installation of switching equipment began after an $800,000 building extension was completed.





1 **The Telewriter has proven to be a popular addition to the Telephone For Special Needs Program. At year end over 150 of these units were being used by people with severe speech and/or hearing impairments.**

2 **As a result of a successful pilot project, many of the Corporation's smaller buildings are under the watchful eye of a new Centralized Dial Office Alarm System.**

3 **Building construction expenditures reached a record high last year. One of the many Regina projects that began late in 1976 was the addition of two floors to the five storey 1825 Lorne Street building.**

4 **The construction of Customer Service and Dispatch Centers at six locations will increase office and warehousing space as well as reduce travelling time.**

5 **A variety of communication services, such as this VUcom 3, were provided for the Canadian Curling Championship.**

Seventeen sub-district work centres were started during the year in the communities of Blaine Lake, Buffalo Narrows, Carlyle, Carnduff, Central Butte, Cudworth, Fort Qu'Appelle, Grenfell, Hudson Bay, Kipling, Leader, Maidstone, Radville, Raymore, Spiritwood, St. Walburg, and Wynyard. Each will cost in the area of $50,000 and is part of a major reorganization program by the Corporation to decentralize work forces and provide better service to customers. In all, 25 such centres are scheduled to be built, providing for the location of maintenance personnel in the communities which they serve.

Programs & Services

An important development for SASK TEL during 1976 was the successful trial of a new Centralized Dial Office Alarm System that incorporates a number of new concepts and uses a minicomputer to keep a watchful eye on the status of dial offices and radio sites.

While the previous system could report only a major or minor alarm, the new system can identify up to 24 individual alarm signals. Because it can identify specific problems, maintenance procedures and consequently customer service will improve significantly.

A device called the Telewriter, introduced late in 1975 under the Telephone Service for Special Needs Program, continued its popularity last year.

By year end over 150 of these devices were in use. The Telewriter, used by people with hearing problems, is operated very much like a small typewriter; as words are typed they appear on a screen above the keyboard. Acoustically coupled to the telephone, the unit weighs only four and a half pounds and is therefore quite portable.

Special communications installations, tailored to fit the needs of the occasion, are common requests filled by SASK TEL. Such was the case last March when the Corporation supplied a variety of communications equipment required for Canada's National Curling Championship, the Brier.

Later in the year another request for special events equipment saw similar facilities installed for the six day Saskatchewan Summer Games at Swift Current.

Completion of DDD Network

The completion of SASK TEL's Direct Distance Dialing (DDD) Network was accomplished on September 29, 1976, when Uranium City's new electronic switching system went into service.

The cutover of the electronic switch in Saskatchewan's most northern community represented the culmination of a major SASK TEL program that began in 1964 and cost in excess of $50 million to complete. It also meant that Saskatchewan became one of the first provinces in Canada to have all of its exchanges connected to the DDD network.

1 The Canadian Telecommunications Carriers Association, of which SASK TEL is a member, produced a film last year which gives the "inside line" on placing telecommunications equipment in new structures.

2 Datapac, the world's first packet switched data communications network, will not only reduce the cost of data communication but also provide greater accuracy and reliability.

3 Employees at various locations throughout the province were given detailed instructions on how to cope with survival situations. The two day course will be given to about 400 employees.

4 Forty-one employees achieved 25 years of service during 1976. Many were involved in community activities.

5, 6 Final adjustments are made at Uranium City prior to cutover. The completion of the Corporation's twelve year DDD program came to an end last year when this electronic switching system went into service.

Trans-Canada Services

SASK TEL, as one of nine members of the Trans-Canada Telephone System, has experienced many changes since the association was founded in 1931.

TCTS in co-operation with Teleglobe Canada introduced Intercontinental Customer Dialing (ICD) in 1976. The service, which provides customers with the convenience of dialing their own overseas calls to a number of countries, went into effect September 7th in Vancouver. This service is expected to be available in most major Canadian centres by 1980.

Another milestone achieved last year on the Trans-Canada scene occurred when the Computer Communications Group filed rates for Datapac, the world's first packet switched data communications network. Datapac will not only reduce the cost of data communications but also provide greater accuracy and reliability. Full service will begin this spring.

Canada's leadership in Computer Communications continued when in Geneva last year international agreement, by the International Consultative Committee on Telegraphs and Telephone, was given to a standard protocol for the operation of packet switched networks. The standard is similar to the TCTS Standard Network Access Protocol and is an agreement to facilitate the inter-working of packet switched networks throughout the world.

Other TCTS developments included an agreement with the Western Union Telegraph Company to allow interconnection between Canadian TWX and U.S. Telex customers as well as expansion of the Dataroute.

Employees

SASK TEL recognizes the value of the contribution its staff made during 1976.

The new records of service achieved in many areas would not have been possible without the strong motivation, skill and high level of performance of our employees. They earned the appreciation, of both management and our customers, for the competent and enthusiastic manner in which they performed their jobs.

Employees continued their involvement in a variety of community activities ranging from service club work to leadership in sports, cultural and church programs. All such contributions added to the quality of life of the people of Saskatchewan.

Last fall, employees in most major centres continued their generous support of United Way campaigns. Employees also contributed in non-monetary ways to community projects such as on-premises Red Cross blood donor clinics.

In 1976, forty-one employees were honoured for completing twenty-five years service with SASK TEL.

The public sector Price and Compensation Board accepted the terms of a new contract, which had been agreed upon by the Communications Workers of Canada and SASK TEL, replacing the old agreement which expired on March 26, 1976.

Financial

The following statements outline the financial information of the Corporation in the format commonly used by the telephone industry in Canada. They reflect the continued high demand for our services in all facets of the business. This demand is evident in increases, both in operating revenues and in operating and construction expenditures, required to provide the expanded services.

Total 1976 operating revenues were $115.6 million, an in-

crease of $23.5 million (25.5%) over 1975. The increase reflects the restructuring of the rates and the growth in telephones and long distance calling. Local service of $35 million was $8.5 million (31.9%) more than 1975. The addition of 29,893 telephones and the rate increase implemented in November of 1975 did much to keep the local service revenue in line with requirements. Toll service revenues of $77.9 million were $14.4 million (22.6%) greater than 1975. The increase is a result of the 10.9% growth in long distance calling as well as the rate change.

Operating expenses total $83.3 million, an increase of 23.8% over 1975. The increased costs are a result of accelerated customer service demands, growing depreciable telecommunications property to service and maintain and the impact of inflation at a somewhat reduced level from that experienced in the previous year. Salaries and employees benefits chargeable to operations total $43.8 million and accounts for 53% of the total operating expenses. The wage settlement of over 13% and 278 additional staff required to meet the expanded workload accounts for the increase of $9.2 million from 1975. Depreciation expense rose 18.3% over 1975 and now totals 28% of the operating expenses, reflecting the cost of expanding telecommunications plant. Materials, taxes and other services of $16.5 million account for the balance.

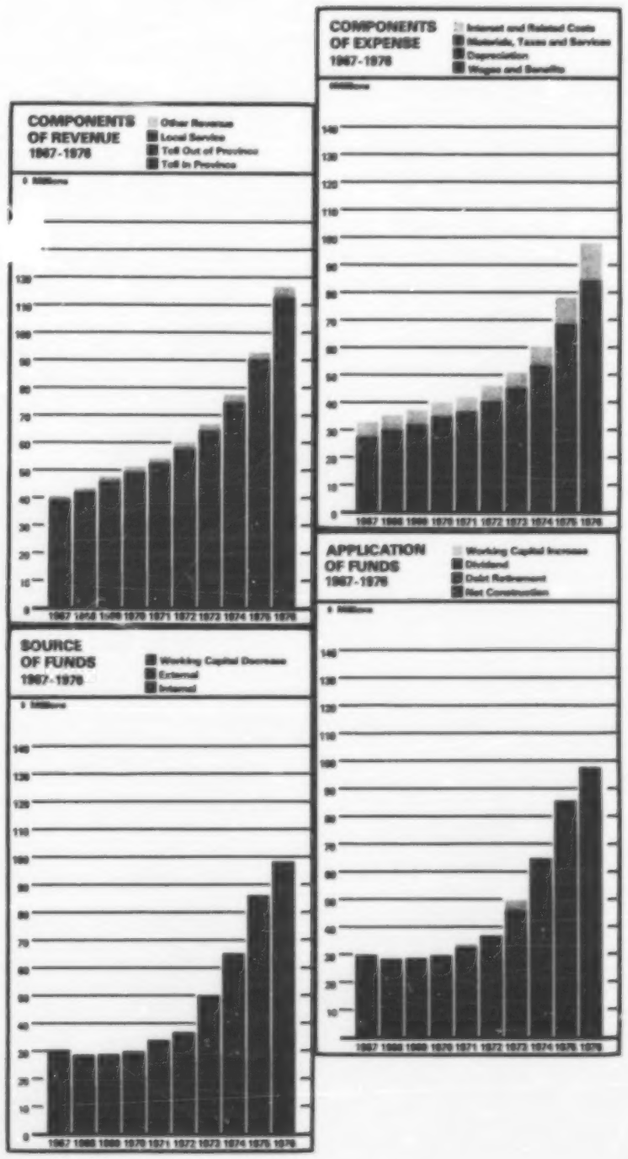
Despite some easing of the interest rates in the latter part of 1976, interest and related costs rose 40.9% to $13.9 million from the 1975 total of $9.8 million. The cost of the net external financing of $61.5 million required for our capital program resulted in the added interest costs.

Net income of $19.1 million is up $3.9 million (25.5%) over 1975. This represents a rate of return on average capital employed of 6.0% compared to 5.9% for 1975.

A dividend of $9.5 million, representing one half the net income, has been provided for the Province of Saskatchewan.

The Statement of Changes in Financial Position outlines the financial impact of our total capital program of over $98.1 million. The program, comprised of net construction spending of $82.3 million, $5.4 million in debt repayment, a dividend of $9.5 million and a working capital increase of $.9 million, is up over 14.6% from 1975. Over 37% of the program was financed from funds generated through operations with the balance of $61.5 million provided from the net borrowings of notes and long term advances.

The largest portion of the capital program is for construction expenditures required to provide the added telecommunications plant for the growth in our services. These expenditures totaled $87.2 million in 1976, bringing our total telecommunications property at December 31, 1976, to just under $471 million, an increase of 19.3% from December 31, 1975.



Statement of Income

For the Year Ended December 31

	1976	1975
	Thousands of Dollars	
OPERATING REVENUES		
Local Service	$ 34,963	$ 26,500
Toll Service	77,864	63,498
Other Revenues (Note 2)	2,762	2,105
TOTAL OPERATING REVENUES	115,589	92,103
OPERATING EXPENSES		
Maintenance	21,770	16,552
Depreciation	22,759	19,269
Traffic	10,055	8,308
Commercial and Marketing	8,799	7,239
General and Administrative	13,411	10,899
Pensions and Other Employee Benefits	5,471	4,160
Grants in Lieu of Taxes	1,069	889
TOTAL OPERATING EXPENSES	83,334	67,316
NET OPERATING REVENUE	32,255	24,787
OTHER INCOME	669	244
	32,924	25,031
INTEREST AND RELATED COSTS (Note 3)	13,863	9,837
NET INCOME FOR THE YEAR	$ 19,061	$ 15,194

The accompanying notes are an integral part of the financial statements.

Auditor's Report

I have examined the statement of financial position of Saskatchewan Telecommunications as at December 31, 1976 and the statements of income, changes in financial position and retained earnings for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
February 11, 1977

W. G. Lutz, C.A.,
Provincial Auditor

Statement of Changes in Financial Position

For the Year Ended December 31

	1976	1975
	Thousands of Dollars	
SOURCE OF FUNDS		
Operations		
Net Income for the Year	$ 19,061	$ 15,194
Add: Depreciation and Other Items not requiring Current Funds	17,500	15,508
	36,561	30,702
Net Change in Notes Payable	(12,300)	18,900
Advances from the Province of Saskatchewan (Net)	73,847	29,663
	$ 98,108	$ 79,265
APPLICATION OF FUNDS		
Construction Expenditures Gross	87,179	76,567
Less: Net Salvage Value of Plant Retired, Capital Contributions and Other Items not requiring Current Funds	4,912	3,538
	82,267	73,029
Sinking Fund Installments and Advance Repayments	5,402	4,966
Dividend — Province of Saskatchewan	9,500	7,600
	$ 97,169	$ 85,595
Increase (Decrease) in Working Capital	$ 939	$ (6,330)

Statement of Retained Earnings

For the Year Ended December 31

	1976	1975
	Thousands of Dollars	
Balance at Beginning of Year	$ 81,669	$ 74,075
Add: Net Income for the Year	19,061	15,194
	100,730	89,269
Less: Dividend — Province of Saskatchewan	9,500	7,600
Balance at End of Year	$ 91,230	$ 81,669

Statement of Financial Position

As At December 31

	1976	1975
	Thousands of Dollars	
Assets		
Telecommunications Property		
Land, Buildings and Equipment	$ 416,780	$ 352,703
Plant Under Construction	44,418	36,034
Material and Supplies	9,794	6,163
	470,992	394,900
Less: Accumulated Depreciation	123,150	108,658
	347,842	286,242
Investment — Telesat Canada (Note 4)	999	999
Current Assets		
Cash and Investments	411	476
Accounts Receivable	18,666	17,188
Prepayments	866	928
	19,943	18,592
Unamortized Discount on Advances	2,445	1,888
	$ 371,229	$ 307,721
Liabilities		
Long Term Debt and Retained Earnings		
Advances from the Province of Saskatchewan (Note 5)	$ 278,952	$ 208,276
Less: Equity in Sinking Funds (Note 5)	42,753	38,177
	236,199	170,099
Retained Earnings	91,230	81,669
	327,429	251,768
Notes Payable (Note 6)	10,800	23,100
Current Liabilities		
Accounts Payable	15,999	18,731
Interest Accrued on Advances	4,194	3,147
Dividend — Province of Saskatchewan	9,500	7,600
Service Billed in Advance	1,489	1,293
	31,182	30,771
Unamortized Gain on Retirement of Advances before Maturity	1,818	2,082
	$ 371,229	$ 307,721

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Telecommunications Property

Telecommunications Property is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily identifiable and quantifiable with the construction activity. In addition, the Corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Depreciation

Depreciation is computed on the straight line method using rates as determined by a continuing program of engineering studies for each class of property in service. The composite depreciation rate on the average depreciable telecommunications property in service was 6.06% in 1976 (6.12% in 1975).

Pension Fund Obligations

SASK TEL provides for service pensions for its employees based on age, length of service and rates of pay. The costs are met on a current basis through regular payments into the SASK TEL Superannuation Fund. An actuarial valuation of the Fund at December 31, 1974, indicated that all vested interests of former employees are fully funded. The valuation further indicates that to fund fully the estimated future obligations to present employees over their working lifetime, SASK TEL continue contributions at present rates. The total pension costs accrued and paid into the Superannuation Fund were double the employee contributions and amounted to $4,658,000 in 1976 ($3,665,000 in 1975).

Gain on Retirement of Advances Before Maturity

Under a modified Sinking Fund policy, advances may be retired prior to maturity through cancellation of the Province of Saskatchewan bonds held in the Sinking Fund. Any gain is amortized over the remaining life of the advance. An amount of $264,000 was amortized and credited to income in 1976 ($343,000 in 1975).

NOTE 2 — OTHER REVENUES

	1976	1975
	Thousands of Dollars	
Directory Advertising	$ 1,835	$ 1,472
Rural Company Connecting Fees	614	457
Building and Other Rentals	894	592
Uncollectible Operating Revenues	(581)	(416)
	$ 2,762	$ 2,105

NOTE 3 — INTEREST AND RELATED COSTS

	1976	1975
	Thousands of Dollars	
Interest on Advances and Notes	$ 19,394	$ 13,845
Amortization of Discount	199	136
	19,593	13,981
Less: Sinking Fund Earnings	3,089	2,366
Gain on Debt Retirement	276	343
Interest Charged Construction	2,365	1,435
	$ 13,863	$ 9,837

NOTE 4 — INVESTMENT — TELESAT CANADA

This investment represents 99,900 common shares no par value, of Telesat Canada at an issue price of $10 per share.

NOTE 5 — ADVANCES FROM THE PROVINCE OF SASKATCHEWAN

Percent	Due Date	Original Advance	Outstanding Advance	
		Thousands of Dollars		
4.750	Apr. 1, 1977	$ 7,000	$ 3,288	
3.500	July 1, 1977	210	13	(b)
5.250	Oct. 15, 1977	4,500	2,512	
5.250	June 1, 1978	5,000	4,038	
5.000	Sept. 30, 1979	3,000	2,118	
6.000	Oct. 1, 1979	7,500	6,366	
5.250	Oct. 15, 1981	7,000	3,535	
5.500	Nov. 15, 1982	5,000	3,225	
5.000	Sept. 1, 1983	10,800	8,983	
4.750	Jan. 2, 1984	5,000	2,805	(a)
5.500	Jan. 15, 1984	8,000	5,878	
5.500	July 15, 1985	5,000	3,285	
5.500	Dec. 1, 1985	9,000	6,347	
5.650	1986	7,401	7,401	(c)
5.698	1987	2,682	2,682	(c)
6.000	March 1, 1987	5,000	3,947	
6.549	1988	2,000	2,000	(c)
7.541	1989	10,100	10,100	(c)
4.875	Oct. 1, 1990	10,000	7,250	(a)
8.093	1990	9,806	9,806	(c)
7.125	1991	9,461	9,461	(c)
7.528	1992	15,093	15,093	(c)
7.689	1993	8,644	8,644	(c)
7.750	Feb. 15, 1998	5,000	5,000	
8.250	Dec. 3, 1998	15,000	15,000	
10.000	Dec. 2, 1999	25,000	25,000	(d)
9.875	Nov. 3, 2000	30,000	30,000	(e)
10.250	Apr. 1, 2001	25,000	25,000	(f)
8.700	Nov. 15, 2006	50,000	50,000	(a)(g)
		$ 307,197	$ 278,777	
Provision for Exchange Premium on Advances Repayable in United States Dollars			175	(h)
			$ 278,952	
Less: Equity in Sinking Funds			42,753	(i)
Net Long Term Debt — December 31, 1976			$ 236,199	

(a) Advances repayable in United States dollars amount to $60,055,000 as at December 31, 1976.
(b) Treasury bills serially maturing through to 1977.
(c) Advances totaling $65,187,000 received through the Canada Pension Plan under 20 year terms, are subject to redemption on six months notice.
(d) Subject to prior redemption on December 2, 1994 or any interest payment date thereafter.
(e) Subject to right of prepayment on November 3, 1983, if the holder so elects. Also subject to prior redemption on November 3, 1995, or any interest payment date thereafter.
(f) Recallable in full after April 1, 1996, at option of Province of Saskatchewan.
(g) Redeemable on November 15, 1991, at option of SASK TEL subject to payment of premium.
(h) This provision represents amounts incurred or provided for exchange premium on advances repayable in United States dollars. The respective portion of the provision will be applied towards any exchange premium incurred at time of maturity, with any remaining balance credited to income.

On January 2, 1976, $2,910,000 of Advances payable in U.S. dollars were retired, resulting in $12,000 of unrequired Provision being transferred to Gain on Debt Retirement. On December 1, 1976, proceeds from the $50,000,000 U.S. pay Advances of November 15, 1976, were received, and on conversion to Canadian dollars resulted in a $397,000 charge against the Provision.

Based on foreign exchange rates prevailing as at December 31, 1976, the provision is $353,000 short of requirements.

(i) Under conditions attached to all Advances, SASK TEL is required to pay annually into Sinking Funds administered by the Province of Saskatchewan amounts ranging from 1% to 3% of the original value of Advances received.
(j) Sinking Fund installments and Advance repayments (net of Sinking Fund Equity) over the next five years are estimated as follows: 1977 — $6,064,000, 1978 — $7,389,000, 1979 — $6,067,000, 1980 — $7,297,000, 1981 — $9,345,000.

NOTE 6 — NOTES PAYABLE

Notes payable represents interim capital financing arranged under Lines of Credit established with the Province of Saskatchewan and the Bank in the aggregate amounts of $25 million and $15 million respectively.

NOTE 7 — ANTI-INFLATION PROGRAM

The Government of Saskatchewan established The Saskatchewan Public Sector Price and Compensation Board to administer and enforce the price and compensation guidelines within the provincial public sector. SASK TEL is subject to, and is acting in accordance with the guidelines of the Board.

SASKTEL

Ten-Year Record of Progress

at December 31	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
TELEPHONES										
SASK TEL Owned	451,685	421,792	390,973	366,515	344,661	328,126	314,981	306,883	297,009	282,022
Connected*	140,998	142,284	125,643	123,372	110,233	100,608	94,527	96,581	94,817	91,802
Net Increase*	29,893	30,819	24,458	21,854	16,535	13,145	8,098	9,874	14,987	16,257
Rural Company Owned (Switched by SASK TEL)	47,762	49,721	50,254	50,648	50,616	50,723	51,062	51,583	52,357	52,815
Telephones Per 1000 People	531	510	485	459	431	409	393	376	364	351
NUMBER OF EXCHANGES	335	332	330	332	337	345	359	370	376	387
NUMBER OF TOLL OFFICES	18	22	24	26	26	18	21	42	49	56
LONG DISTANCE MESSAGES (Thousands of Messages)										
(Origin — Saskatchewan)*	46,948	42,342	36,126	28,995	23,170	20,653	18,896	18,272	17,351	16,443
FINANCE (In Thousands of Dollars)										
Operating Revenues*	$ 115,589	$ 92,103	$ 76,566	$ 66,237	$ 59,777	$ 53,885	$ 50,546	$ 47,095	$ 43,266	$ 40,137
Operating Expenses*	$ 83,334	$ 67,316	$ 52,164	$ 44,175	$ 39,636	$ 35,753	$ 33,821	$ 30,892	$ 29,101	$ 26,741
Interest and Related Costs*	$ 13,863	$ 9,837	$ 7,428	$ 6,027	$ 5,836	$ 5,506	$ 5,366	$ 5,661	$ 5,614	$ 5,262
Net Income*	$ 19,061	$ 15,194	$ 17,516	$ 16,366	$ 14,435	$ 12,723	$ 11,718	$ 10,776	$ 8,593	$ 8,322
Dividend — Province of Saskatchewan*	$ 9,500	$ 7,600	$ 8,750	$ 8,150	$ 7,200	$ 6,350	$ 5,850	$ 5,400	$ 4,300	$ 4,150
Gross Construction Expenditures*	$ 87,179	$ 76,567	$ 54,085	$ 36,010	$ 25,616	$ 22,660	$ 22,418	$ 22,866	$ 22,590	$ 23,435
Telecommunications Property	$ 470,992	$ 394,900	$ 331,488	$ 287,178	$ 261,329	$ 246,289	$ 232,742	$ 220,637	$ 205,545	$ 191,986
Advances from Province of Saskatchewan	$ 278,952	$ 208,276	$ 182,154	$ 159,303	$ 137,712	$ 139,144	$ 132,102	$ 147,831	$ 137,580	$ 136,878
Debt as a Percent of Year-End Capital	73.0%	70.3%	67.2%	66.5%	66.9%	69.6%	71.9%	74.8%	77.4%	79.1%
EMPLOYEES AND PAYROLL										
Number of Employees	3,622	3,344	2,974	2,695	2,556	2,449	2,434	2,435	2,447	2,447
Salaries and Wages Earned* (Thousands of Dollars)	$ 50,087	$ 39,908	$ 29,325	$ 23,339	$ 20,395	$ 17,896	$ 16,352	$ 15,349	$ 14,398	$ 13,401

*For the Year Ended December 31